

Complaint

Miss M has complained about a credit card Madison CF UK Limited (trading as “118 118 Money”) provided to her. She says that she couldn’t afford to make the payments on the credit card the subsequent limit increase and proportionate checks would clearly have shown this.

Background

118 118 Money provided Miss M with a credit card with an initial limit of £1,200.00 in August 2020. Miss M’s credit limit was increased to £2,000.00 in February 2021.

One of our investigators reviewed what Miss M and 118 118 Money had told us. And he thought 118 118 Money hadn’t done anything wrong or treated Miss M unfairly in relation to providing the credit card or increasing the credit limit. So he didn’t recommend that Miss M’s complaint be upheld.

Miss M disagreed and asked for an ombudsman to look at the complaint.

My findings

I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

Having carefully thought about everything I’ve decided not to uphold Miss M’s complaint. I’ll explain why in a little more detail.

We’ve explained how we handle complaints about unaffordable and irresponsible lending on our website. And I’ve used this approach to help me decide Miss M’s complaint.

118 118 Money needed to make sure it didn’t lend irresponsibly. In practice, what this means is 118 118 Money needed to carry out proportionate checks to be able to understand whether Miss M could afford to repay any credit it provided.

Our website sets out what we typically think about when deciding whether a lender’s checks were proportionate. Generally, we think it’s reasonable for a lender’s checks to be less thorough – in terms of how much information it gathers and what it does to verify it – in the early stages of a lending relationship.

But we might think it needed to do more if, for example, a borrower’s income was low or the amount lent was high. And the longer the lending relationship goes on, the greater the risk of it becoming unsustainable and the borrower experiencing financial difficulty. So we’d expect a lender to be able to show that it didn’t continue to lend to a customer irresponsibly.

118 118 Money says it initially agreed to Miss M’s application after it obtained information on her income and carried out a credit search. And the information obtained indicated that Miss M would be able to make the relatively low monthly repayments initially due for this

credit card. Due to Miss M's account being relatively well managed she was then offered a credit limit increase to £2,000.00.

On the other hand Miss M says that she shouldn't have been lent to.

I've considered what the parties have said.

What's important to note is that Miss M was provided with a revolving credit facility rather than a loan. And this means that to start with 118 118 Money was required to understand whether a credit limit of £1,200.00 could be repaid within a reasonable period of time, rather than all in one go. A credit limit of £1,200.00 required relatively low monthly payments in order to clear the full amount owed within a reasonable period of time.

118 118 Money's credit check didn't indicate any significant problems with her credit commitments. She was only using about a third of the credit limits available to her on her revolving credit accounts and the amount that showed to her existing creditors wasn't excessive in comparison to her income either. So there wasn't anything that ought reasonably to have led 118 118 Money suspect that Miss M may have developed a dependency on credit either.

As this is the case and the payments required to clear a balance that could be owed on a credit limit of £1,200.00 within a reasonable period of time weren't that large, I'm satisfied that the checks carried out before Miss M was initially provided with her credit card were reasonable and proportionate.

For the credit limit increase, it appears as though 118 118 Money relied on Miss M having been managed well in the six months or so since her account had been opened. I'm not necessarily persuaded that this, in itself, meant that Miss M should be lent up to a further £800.

This is especially as it appears as though Miss M went over her £1,200.00 credit limit in December 2021. That said, it's also fair to say that Miss M did make a large payment soon after going over her limit and there were at least a couple of occasions where she made payments well in excess of that required to clear a balance of £2,000.00 within a reasonable period of time.

I'm also mindful that although there wasn't anything in the way of any additional significant adverse information on the credit search 118 118 Money carried, Miss M was nonetheless more indebted at this stage than she was when her initial card application was made. So I think that there were some signs that 118 118 Money needed to monitor going forward.

Furthermore, given the amount of the likely increased monthly payments as well as what 118 118 Money ought to have been aware of, I do think that it would have been reasonable and proportionate for 118 118 Money to find out a bit more about Miss M's regular living costs before offering the credit limit increase. As 118 118 Money didn't obtain this information, I've considered the information Miss M has provided with a view to deciding what it might have found out about Miss M's regular living costs had this information been asked for.

Having done so, I don't think that 118 118 Money would have made a different decision even if it had asked Miss M for more information. I say this because the information I've seen about Miss M's finances at the time appears to indicate that when her committed regular living expenses and existing credit commitments were deducted from what she received, she did have the funds, at the time at least, to sustainably make the repayments due.

In reaching this conclusion, I've thought about what Miss M has said being dependent on credit. But I'm afraid I don't interpret the cash withdrawals on her credit card in this way. This is especially bearing in mind the larger payments, I've highlighted in the leadup to this limit increase.

So, in these circumstances, it's difficult for me to conclude that 118 118 Money ought to have concluded that Miss M was dependent on credit, or that she didn't have sufficient funds to make the repayments for an increased credit limit, in circumstances where she was making such payments already.

It's possible that Miss M's position might have been worse than what it looks like, or that it worsened after the credit limit increase took place. And having looked at the information Miss M has provided it's clear that her circumstances took a turn for the worse after the credit limit was provided. But it wouldn't be fair and reasonable for me to use hindsight here, or say that 118 118 Money should have known this was the case. This is especially as the available information indicates proportionate checks would more likely than not have shown that Miss M could repay what she could owe at the time the lending decision was made.

So overall while I can understand Miss M's sentiments, I don't think that 118 118 Money treated Miss M unfairly or unreasonably when providing her with her credit card or subsequently increasing her credit limit. And I'm not upholding Miss M's complaint. I appreciate this will be very disappointing for Miss M. But I hope she'll understand the reasons for my decision and that she'll at least feel her concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 14 June 2024.

Jeshen Narayanan
Ombudsman